

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 XMB-02 OPIC-03 COME-00 AGRE-00  
AID-05 CIAE-00 EB-08 FRB-03 INR-10 NSAE-00 ICA-11  
TRSE-00 SP-02 LAB-04 SIL-01 OMB-01 /061 W  
-----004952 132145Z /66/20

P R 120939Z JUL 78  
FM AMEMBASSY NAIROBI  
TO SECSTATE WASHDC PRIORITY 8783  
INFO AMEMBASSY ANTANANARIVO  
AMEMBASSY PORT LOUIS  
AMEMBASSY LIBREVILLE  
AMEMBASSY DAKAR  
AMEMBASSY KHARTOUM

C O N F I D E N T I A L NAIROBI 10298

C O R R E C T E D C O P Y (GARBLES THROUGHOUT TEXT)

DEPARTMENT PASS EXIM, OPIC, AND USDOC

E. O. 11652: GDS  
TAGS: EFIN, MA, MP,GB,KE,SG,SU  
SUBJECT: N-REN FERTILIZER PLANT IN GRAVE DIFFICULTIES

REF: NAIROBI 4900

1. N-REN REPRESENTATIVE IN KENYA, GEORGE VAN NOSTRAND,  
MET WITH EMBOFF ON JULY 11 TO DISCUSS CURRENT STATUS OF  
KEN-REN FERTILIZER PLANT PROJECT. VAN NOSTRAND PAINTED  
A GLOOMY PICTURE OF PROJECT'S FUTURE OR, AT LEAST,  
N-REN'S CONTINUED PARTICIPATION IN PROJECT. VAN NOSTRAND  
SAID THE GOK HAS TAKEN SEVERAL ACTIONS RECENTLY WHICH  
VIRTUALLY GUARANTEE THE COLLAPSE OF THE PROJECT.

2. THE GOK TREASURY, IN A LETTER FROM L.O. KIBINGE,  
PERMANENT SECRETARY(WHO, IRONICALLY, IS CHAIRMAN OF  
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KEN-REN BOARD), HAS DEMANDED IMMEDIATE PAYMENT OF  
APPROXIMATELY 26 MILLION SHILLINGS OWED BY KEN-REN  
TO GOK. IN 1977, GOK LOANED KEN-REN 14 MILLION  
SHILLINGS TO HELP THE COMPANY WITH ITS FINANCIAL  
DIFFICULTIES. TERMS OF LOAN WERE QUOTE PAYABLE ON  
DEMAND UNQUOTE AND GOK IS NOW CALLING IT IN. THE  
REMAINING 12 MILLION SHILLINGS ARE PROCEEDS OF A

FERTILIZER SALE MADE IN 1976 BY KEN-REN ON BEHALF OF GOK. WHEN THE PAYMENT WAS RECEIVED BY KEN-REN IT SHOULD HAVE BEEN IMMEDIATELY TRANSFERRED TO TREASURY COFFERS, BUT THE THEN MANAGING DIRECTOR (AN N-REN U.S. EMPLOYEE) USED THE MONEY TO OFFSET COMPANY'S GROWING CASH FLOW PROBLEMS. GOK APPARENTLY ONLY RECENTLY DISCOVERED THAT 12 MILLION SHILLINGS TRANSFER HAD NEVER TAKEN PLACE.

3. ACCORDING TO PROVISIONS OF COMPANIES ACT, KEN-REN HAS 21 DAYS IN WHICH TO MEET GOK DEMANDS. IF PAYMENT IS NOT MADE WITHIN THAT PERIOD, THE GOK CAN PUT THE COMPANY INTO RECEIVERSHIP FOR BANKRUPTCY. VAN NOSTRAND SAID 21 DAY PERIOD TERMINATES ON JULY 12 AND THERE IS NO POSSIBLE WAY THE COMPANY CAN COME UP WITH EVEN A PORTION OF THE GOK DEMANDS. IN FACT, THE BOARD SECRETARY HAS ALREADY WRITTEN TO KIBINGE STATING THAT KEN-REN CANNOT COMPLY WITH DEMANDS.

4. IN SEPARATE ACTION, GOK MINISTRY OF LANDS AND SETTLEMENT HAS SERVED NOTICE ON KEN-REN THAT ITS SITE ALLOTMENT IN MOMBASA HAS BEEN TERMINATED. FAILURE TO PAY RENTAL AND LAND FEES TO GOK WAS GIVEN AS REASON FOR CANCELLATION OF LAND OCCUPANCY. BOARD SECRETARY HAS INFORMED THIS MINISTRY THAT KEN-REN HAS NO MONEY TO MEET ITS ARREARS. THUS, AS OF JULY 31, THE PLANT

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IS WITHOUT A SITE.

5. VAN NOSTRAND SAID THAT N-REN HAS DECIDED TO FIGHT BACK. N-REN'S LOCAL ATTORNEYS HAVE SUBMITTED A NOTICE TO THE GOK ON JULY 10 OF N-REN'S INTENT TO SUE GOK AND KEN-REN FOR BREACH OF CONTRACT. LOCAL ATTORNEYS WILL ON JULY 11 INITIATE COURT PROCEEDINGS FOR SUIT. N-REN'S BASIC CLAIM IS THAT GOK AND KEN-REN BY VARIOUS ACTIONS OVER THE PAST YEAR HAVE IN EFFECT REPUDIATED THE CONTRACTS ENTERED INTO WITH N-REN.

6. COMMENT: IT IS CLEAR FROM THE ABOVE ACTIONS THAT THE GOK HAS DECIDED TO TERMINATE THIS PROJECT OR TO TERMINATE ITS RELATIONSHIP WITH N-REN. IT WOULD SEEM AT THE MOMENT THAT THE HIGHLY PLACED KENYANS WHO ARE HEAVILY INVOLVED IN FERTILIZER IMPORT BUSINESS, AMONG THEM THE PRESIDENT'S SON AND NEPHEW, HAVE CARRIED THE DAY AGAINST THOSE WHO DESIRE KENYA TO HAVE ITS OWN FERTILIZER CAPACITY. THIS LATEST INFORMATION, PARTICULARLY THE USE OF THE GOK'S 12 MILLION SHILLINGS, SUPPORTS THE EMBASSY'S CONCERNS OVER THE MANAGEMENT EXPERTISE OF N-REN.

7. ALTHOUGH N-REN'S PARTICIPATION IN THIS PROJECT APPEARS TO BE FINISHED, THE COMPANY HAS NOT LOST MONEY ON THE DEAL. N-REN RECEIVED UNDER ITS CONSTRUCTION CONTRACT A DOWN PAYMENT FROM KEN-REN OF U.S. 10.7 MILLION DOLLARS. AT MOST, N-REN HAS PAID INTO THE PROJECT 6.7 MILLION DOLLARS. THUS, N-REN COMES OUT AT LEAST 4 MILLION DOLLARS AHEAD. IN ADDITION, SEVERAL OF THE LOANS TAKEN OUT IN FOREIGN COUNTRIES BY N-REN ARE UNDER GOVERNMENT EXPORT GUARANTEES WHICH N-REN CAN CALL IN IF PROJECT FOLDS.

8. N-REN'S REPRESENTATIVES WILL BE CALLING ON THE AMBASSADOR LATER THIS WEEK TO GIVE THEIR SIDE OF THE CONFIDENTIAL

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STORY. EMBASSY WILL OF COURSE, CONTINUE TO MONITOR THE PROGRESS OF THIS CASE CLOSELY.  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** FERTILIZERS, BUSINESS FIRMS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 jul 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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